

Message Text

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15

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-01 CEA-01 L-02

H-02 PA-01 PRS-01 USIA-06 /077 W

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R 202129Z MAR 75

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 8094

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EO 11652 NA

TAGS: EFIN VE

SUBJ: VENEZUELA REMAINING TIED TO THE DOLLAR

1. RESPONSE TO QUESTIONS BY THE PRESS MARCH 19, ACTING MINISTER OF FINANCE IVAN PULIDO MORA REITERATED THE GOV POSITION THAT, AT LEAST IN THE IMMEDIATE FUTURE, VENEZUELA HAS NO INTENTION OF FOLLOWING THE COURSE OF FOUR ARAB OIL PRODUCERS IN TYING ITS CURRENCY TO THE SDR INSTEAD OF THE DOLLAR. HE NOTED THE DIFFERENCE IN CIRCUMSTANCES BETWEEN THE ARAB PRODUCERS AND VENEZUELA AND THE FACT THAT ANY SUCH CHANGE WOULD REQUIRE EXAMINATION OF THE TOAL ECONOMY AND WOULD REQUIRE THE APPROVAL OF THE NATIONAL EXECUTIVE AND THE CENTRAL BANK. HE SAID, OF COURSE, THE SITUATION COULD CHANGE IF THE IMF ADOPTED A NEW MONETARY SYSTEM WHICH INCLUDED A DIFFERENT ROLE FOR THE SDR.

2. COMMENT: ACCORDING TO EMBASSY CONTACTS IN THE FINANCIAL COMMUNITY, THE MAIN REASONS WHY VENEZUELA WOULD BE RELUCTANT TO BREAK WITH LINK WITH THE DOLLAR ARE:

(1) MOST OF ITS RESERVES ARE STILL HELD IN DOLLARS DESPITE
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SOME EFFORTS TO DIVERSIFY PLACEMENTS IN OTHER

CURRENCIES;(2) THE US IS THE MAIN SOURCE OF VENEZUELA'S
IMPORTS, WHICH, OF COURSE, ARE PAID IN DOLLARS;(3)
VENEZUELA'S DESIRE TO EXPAND ITS NON-TRADITIONAL EXPORTS AND
TO BE COMPETITIVE WITH OTHER ANDEAN PACT COUNTRIES. ASECIO

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CURRENCY CONTROLS, FINANCIAL PROGRAMS, FINANCIAL PLANS
Control Number: n/a
Copy: SINGLE
Draft Date: 20 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CARACA03163
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750099-0006
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750333/aaaabdry.tel
Line Count: 65
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 12 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 SEP 2003 by izenbei0>; APPROVED <29 OCT 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: VENEZUELA REMAINING TIED TO THE DOLLAR
TAGS: EFIN, VE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006